

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6199**

**BILL NUMBER:** SB 107

**DATE PREPARED:** Feb 24, 2002

**BILL AMENDED:** Feb 21, 2002

**SUBJECT:** Prescription Drug Advisory Committee.

**FISCAL ANALYST:** Kathy Norris

**PHONE NUMBER:** 234-1360

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill extends the expiration date of the Prescription Drug Advisory Committee to December 31, 2004. The bill extends the date for the Committee to make prescription drug program design recommendations to the Governor and the Family and Social Services Administration to December 31, 2004. The bill also provides that a member of the Prescription Drug Advisory Committee is to be a township trustee.

The bill allows for the deposit of drug rebates from the Prescription Drug Program (Program) in the Prescription Drug Account. It allows money in the account to be used to match federal funds. It also establishes program eligibility requirements and annual benefit limits. The bill requires the Office of Medicaid Policy and Planning (OMPP) to seek a federal waiver for the program after the proposed waiver has been reviewed and approved by the Committee. The bill also provides that money appropriated to the Prescription Drug Account from the Tobacco Master Settlement fund in 2000, but that was not placed in the account, is appropriated to the account. The bill further requires OMPP to establish a point-of-sale system in the program before July 1, 2002.

**Effective Date:** (Amended) December 30, 2001 (retroactive); Upon Passage; July 1, 2002.

**Explanation of State Expenditures:** (Revised) This bill would extend the expiration date for the Prescription Drug Advisory Committee by three years. (The Committee statutory authority expired on December 30, 2001, under current statute.) The Committee consists of eleven members appointed by the Governor and four non-voting legislative members. Expenses incurred by the members of the Committee are paid from the Indiana Prescription Drug Account which is appropriated from the Tobacco Master Settlement Agreement Fund. Committee expenses are estimated to fall within the amount allocated for legislative interim study committees of \$9,000 annually.

The bill would also appropriate \$15,516,618 from the Tobacco Master Settlement Agreement Fund. This

amount is the balance of funds that were not moved to the Prescription Drug Account during the first year of operation. The original appropriation expired June 30, 2001. This provision restores the funding level originally appropriated for the Prescription Drug Account. The bill further specifies that money in the account does not revert to the Tobacco Master Settlement Agreement Fund but remains available for expenditure in the Indiana Prescription Drug Program (Hoosier Rx). The bill also allows the funds in the Prescription Drug Account to be used to leverage federal funds.

The bill authorizes OMPP to seek a Medicaid Section 1115 Waiver for a Prescription Drug Program. The bill specifies that the program defined for the waiver as well as the Hoosier Rx program must have eligibility levels of 200% of the Federal Poverty Level and cover individuals over the age of 65 years. The bill further sets a minimum and maximum benefit level for the Program of not less than \$1,000 and not more than \$2,000. The availability of the Medicaid Prescription Drug waivers is a recent development, and the allowable parameters of the programs are not well defined. The specific requirements for the benefit level and the eligibility of any waiver program within Medicaid may exceed the level of funding available for the Prescription Drug Program and require supplemental funding from the General Fund.

The bill also specifies that the Hoosier Rx Program must provide unrestricted access to prescription drugs and specifically provides that the program may not require prior authorization, prescription quantity limits, or require a preferred drug list. The bill also requires that OMPP implement a program that provides the benefit at the point of sale rather than rebating the cost incurred as is currently done. If OMPP cannot process the benefits administration through the existing Medicaid claims processing system due to these restrictions, another claims processing system will need to be procured for the Hoosier Rx Program. Cost would be dependent upon the number of claims anticipated; based on Illinois experience, the cost of such a contract might be expected to be between \$0.24 to \$0.30 per claim depending upon the volume. For a very restrictive program, Illinois' claims processing cost for FY 2000 was \$0.5 M for 52,000 participants. The parameters defined for the Hoosier Rx Program should result in a much larger recipient base with no restrictions on the prescription drugs covered.. It is not known if the Centers for Medicare and Medicaid Services (CMS) would approve a waiver with prescription drug coverage defined differently from the State Plan for Medicaid.

**Explanation of State Revenues:** (Revised) The bill would allow for any drug rebates associated with the Hoosier Rx Program to be deposited in the Prescription Drug Account.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** *Circuit Breaker Property Tax Relief Program and Pharmaceutical Assistance Program, Annual Report for 2000*, Illinois Department of Revenue; Amy Brown, Legislative Liaison for FSSA, (317) 232-1149.